# Australia: Housewares Industry

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## Summary

The Australian housewares industry is currently experiencing a moderate growth rate of 4 percent. For the past year, sales total US$672 million. Forecasted growth in the housewares industry for 2008 continues to be 4 percent. This growth is driven by a strong retail sector as well as the current positive trends in the housing market in Australia. Housewares expenditure per capita is US$33.00 annually. Housewares retailing is widespread throughout Australia, with over 2,000 houseware retail outlets in Australia currently. This represents an increase of 1.7 percent in retail establishments from last year.

## Market Demand

The housewares industry in Australia includes a wide and diverse product range. Products sold in this industry include tableware, cooking utensils, cleaning utensils, table and kitchen linen, glassware and cutlery. The product segments of this industry, their share of the market and some examples of items sold under each product segment are shown in the table below:

| Product | Share (%) | Items sold under product segment |
|---|---|---|
| Other houseware | 31.2 | Candles, measuring cups, plastic containers, graters, mortars pestles, picnic ware etc. |
| Tableware | 26.1 | Dishes, plates, china etc. |
| Cooking Utensils | 14.4 | Pots, pans, baking trays, pressure cookers etc. |
| Cleaning Utensils | 13.2 | Sponges, cloths, and scourers etc. |
| Table and kitchen linen | 5.5 | Table cloths, place mats, coasters etc. |
| Glassware | 5.3 | Glasses, bowls, vases, all other glass products. |
| Cutlery | 4.3 | Knives, forks, spoons etc. |

Factors affecting the housewares industry in Australia include the construction of new dwellings, renovations and alterations to existing dwellings, consumer confidence, and changes in the level of household discretionary spending (influenced primarily by changes in gasoline prices).

Australia is currently in a positive cycle of construction, with a 0.5 percent increase in the amount of total new dwellings approved for construction between March and April 2007. Demand for modern and fashionable housewares has grown, with the construction of new homes and apartments particularly in metropolitan areas. Many of these homes and apartments are built in a contemporary style. Renovations in areas such as kitchens also lead to increased purchases of housewares as consumers update their décor. Particularly popular are styles of housewares that follow European trends. Colors, styles, materials and items that are popular in Europe generally find success in the Australian market.

Spending has increased across all retail sectors in recent years. This is largely due to the fact that in the past five years real wages increased, and also that a booming property market led to increased net wealth for many Australians. For the 2004 to 2005 period, real wages grew by 3.3 percent. The boom in the property market led to many house prices doubling in a short period of time and many Australians have experienced a passive increase in their net wealth.

Along with this increase in real wages and net wealth due to rising property prices, other factors have led to increased spending on discretionary housewares. Healthy consumer confidence, increased employment growth, a strong labor market, and a relatively strong GDP growth are also contributing factors.

However, one aspect that is dampening confidence in this sector is the cost of gasoline. Consumer sentiment is changing somewhat in the short-term due to rising gasoline prices. Gasoline prices in Australia have risen significantly over the past year, with prices higher in country areas than in metropolitan areas. Over the past 12 to 18 months, prices have been consistently over US$0.75 a liter. Gasoline currently costs around US$0.93 to US$1.00 a liter, which is having a significant impact on household discretionary spending.

## Market Data

*Market Size for Housewares (in US$ million)*

| | 2005 | 2006 | 2007 (estimated) |
|---|---|---|---|
| Total Market Size | 660 | 672 | 792 |
| Total Local Production | 210 | 211 | 263 |
| Total Exports | 110 | 104 | 137 |
| Total Imports | 560 | 565 | 666 |
| Imports from the U.S. | 45 | 46 | 54 |

Exchange rates

| | |
|---|---|
| 2005 | 0.76 |
| 2006 | 0.75 |
| 2007 | 0.85 |

Expected inflation rate: 3.8%

Source: Australian Bureau of Statistics

Currently U.S. products account for about 8 percent of the housewares market in Australia, including glass and ceramic tableware and kitchenware. For 2006, US$2.4 million of tableware and kitchenware, US$3.1 million of glassware and US$34,500 of ceramic tableware was imported from the U.S.

The majority of housewares products imported into Australia come from Asian markets, with China being the dominant supplier. For the period between January and April 2007, China imported US$16.2 million of tableware and kitchenware, along with US$10.5 million of glassware and US$10.8 million of ceramic tableware. Other major suppliers from Asia include South Korea, Thailand, Taiwan, Hong Kong, Indonesia and India. Smaller Asian suppliers are Vietnam, Japan, Malaysia, the Philippines and Singapore.

## Best Products

There is an opportunity for suppliers to enter the Australian housewares market by specifically dealing in a niche sector and specializing their product range. One such example is King of Knives, a Sydney company which deals with kitchen and sporting knives, cutlery, scissors, sharpening products and cooking utensils.

If suppliers attractively present their product, promote their product effectively, have an efficient distribution system and a wide and diversified product range, they have a greater chance of success in this market.

A factor to be considered is the fact that Australian consumers do not necessarily buy housewares for practicality. Product ranges and styles within this market are continually updated. As a result Australian consumers may often simply buy an item for its appearance rather than a specific need. This has been seen in recent trends towards large, sculptural vases that place fashion and design over practicality. Often these are sold in sets and are designed for aesthetic impact.

In recent years there has also been a trend towards “retro- style” products. Products with a vintage look, for example from the 1950s, have been extremely popular. Many brands such as Breville, Sunbeam, etc have adapted their product lines to take advantage of this trend.

## Key Suppliers

A significant driver in the housewares market is the recognition of popular and/or well-known brands. For example, in the tableware segment of the market, there are many well-established brands to which Australian consumers have brand loyalty.

U.S. tableware brands like Oneida (stainless steel products, chinaware, crystal and glassware and kitchen tools) and Oneida (dinnerware, flatware, hollowware) are well known, along with Japanese brand Noritake.

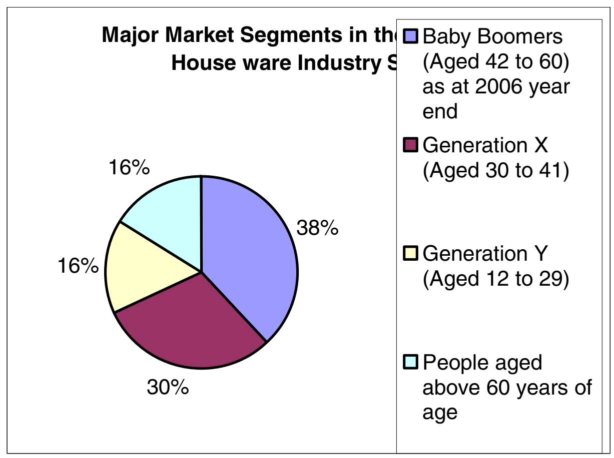
Local Maxwell & Williams is popular for its reputation of selling affordable and quality housewares. Rhubarb is another Australian brand of housewares that has positioned its products as designer products that are also affordable. Other well-known Australian tableware brands are Alex Liddy and Mayfair and Jackson. Other major Australian housewares brands in other segments such as kitchenware, cookware and other housewares include Breville, Kambrook, Sunbeam, Anasazi, Baccarat, Arcosteel, Sabco and Ronson.

High-end European tableware brands such as Le Creuset (specializing in porcelain enamel cast iron cookware), Villeroy & Boch (ceramic products), Royal Doulton (high end chinaware), Rosenthal (tableware) and Waterford (crystal products) have solid reputations in the market.

## Prospective Buyers

Households are the primary market for housewares in Australia, and they can be broken down into the following demographics by generation as seen in the below chart. All data applies up until 2006 year end.

- Baby Boomers (born between 1946-1964)
  The Baby Boomers are the generation that holds the greatest amount of wealth, however the majority of this wealth is tied up in property and other assets. They account for around 38 percent of the industry revenue for housewares suppliers. They tend to spend more on housewares and their home in general, valuing items such as high priced dinnerware, china and kitchenware.




Source: Industry report - Houseware retailing in Australia

- Generation X (1965-1976)
  This generation is estimated to account for 30 percent of the industry revenue for housewares, and is known for consumption of a large proportion of their disposable income.

- Generation Y (1977-1994)
  Generation Y is estimated to account for around 16 percent of industry revenue for housewares. In general this group exhibits high consumption levels but typically spends its income on entertainment, clothes, rent/mortgages and other goods and services rather than housewares. They have a practical focus in regards to housewares, tending to buy only what they need.

- Pre- Baby Boomers, over 60 (pre-1945 and World War II)
  This segment also accounts for around 16 percent of industry revenue.

- Women aged 30 to 55
  Women are a driving factor in the purchase of housewares, as they tend to be interested in improving the aesthetics of their home. They are usually the decision maker for the household in this area, and take responsibility for the purchase of housewares products. They also drive the purchase of housewares as gifts for weddings, birthdays, and other special occasions.

Australian consumers are quite discerning and seek aesthetically pleasing, fashionable products for their home, especially recently constructed homes. Baby boomers in particular, born between 1946 and 1964, are prepared to spend more on housewares and seek high quality items. Australians in general have the propensity to spend considerable money on their homes.

Similarly to consumers in other industrialized countries, consumers in Australia make their purchasing decisions based on the level of their discretionary income as well as a perceived 'need' for a product. Such a need might include the desire to update the décor of their home.

Sales in this market are strongly tied to the population distribution. The population of Australia is concentrated along the eastern seaboard, which is a highly urbanized area. Australian States such as New South Wales with the capital of Sydney, Victoria (capital Melbourne) and Queensland (capital Brisbane) have the highest populations. In 2005, New South Wales accounted for 33.5 percent of the Australian population and approximately 33.6 percent of Australian houseware enterprises.

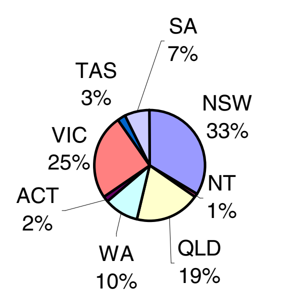
As with sales, the geographical location of the houseware retailers corresponds with population levels by State of Australia, with a concentration in the eastern States. The geographical spread of these retailers by state is:

Legend

*NSW* *New South Wales*
*NT* *Northern Territory*
*QLD* *Queensland*
*WA* *Western Australia*
*ACT* *Australian Capital Territory*
*VIC* *Victoria*
*TAS* *Tasmania*
*SA* *South Australia*

Source: Industry report - Houseware retailing in Australia

**The geographic spread of Houseware retailing establishments**



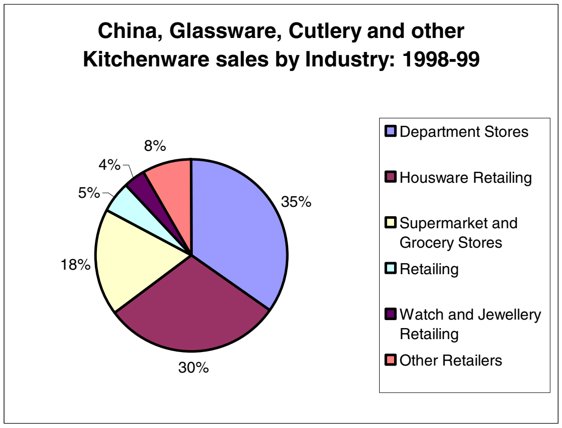

From the above graph it can be seen that New South Wales has the largest proportion of houseware retailers, followed by Victoria and then Queensland. The Northern Territory, Australian Capital Territory and Tasmania represent a small part of the market. This corresponds to the levels of population in each State with NSW being the largest market for housewares and retail in general.

## Market Entry

Australia's distribution and sales channels for housewares products are similar to those in other industrialized countries, with channels of distribution through the use of distributors or agents and through direct sales. As is the case in the United States, carrying out due diligence is a critical factor.

Many smaller housewares retailers who specialize in high quality products are currently seeking new ways to differentiate themselves and their products. This is due to a high volume of cheaper goods that are being imported from China. Larger department stores and discount stores stock these cheaper imports and can consequently offer lower prices to consumers. These smaller retailers are trying to establish a point of difference between their goods and the Chinese goods, with one strategy being the importation of exclusive, well-known European housewares brands.

In Australia the major retailers of housewares include large department stores such as Myer and David Jones, however these do not dominate the market. No retail industry participant accounts for more than 15 percent of the market. Mass market stores such as Target, K-Mart and Big W stock ranges of housewares alongside their other product lines. Other well-known stores in this market include local company House, Homeart and IKEA. Franchising agreements such as those offered by House are increasingly common and, with the exception of IKEA, are quite reasonably priced. House stores sell primarily housewares, while IKEA has a huge range including housewares as well as furniture, bedding and manchester. The various industries that sell housewares in Australia are shown in the chart below:




Department stores, as seen in the chart, are the largest retail segment offering housewares in Australia, followed by houseware retailers.

Supermarkets as well as many small retailers such as giftware stores, kitchen stores, $2 shops etc also sell housewares.

Watch and jewelry retailers tend to stock a very small range of certain housewares such as cutlery, tableware, dinnerware and glassware.

Source: Industry report - Houseware retailing in Australia

The following companies are major players in the Australian housewares industry.

House:
Market Share 13.5 percent

House is a South African wholly owned subsidiary of Australia Pharmaceutical Industries. There were 104 House stores across Australia as at June 2006. 95 of these were franchise-operated stores. Tableware products account for 50 percent of House's sales. This is followed by utensils (24 percent of sales), cookware and giftware (9 percent), home décor (5 percent) and outdoor products (3 percent). In 2006, House's market share of the housewares industry was approximately 13.5 percent. This was the highest share of revenue in this industry.

IKEA
Market Share: 10.5 percent

IKEA is a Swedish-run company that is owned by a holding company based in the Nederlands. IKEA is unique in the fact that its strategy is to only operate a small number of very large concept stores, which generate substantial sales. The majority of these are run under a franchise agreement. In 2006, IKEA had six stores in Australia, in five different States. Australian IKEA stores achieved an average of US$33 million in sales each for 2005. IKEA sells a huge variety of products at very competitive prices by importing from places such as China and Eastern Europe that have low production costs.

In terms of marketing, IKEA produces an annual catalogue of its entire product range, which can be found in-stores as well as online. Its TV, print and billboard advertisements tend to be humorous, simple and eye-catching. Its stores always have the same appearance: entirely painted in blue, with the IKEA name in large yellow lettering, utilizing the colors of the Swedish flag.

Homeart
Market Share: 9.8 percent

Australian company Homeart, formerly known as Copperart, has small retail stores usually located in shopping centers. It originally specialized in copper and brass products but expanded to a more broad range of products including housewares, candles and oils. In 2006, Homeart had over 140 stores in Australia, employing around 850 people. They achieved over US$63 million in sales for that same year.

Others

Other retailers include: King of Knives, Bevilles, Domestix, Minimax and General Trader. Department stores such as Target, K-Mart, Big W and supermarkets also account for a high proportion of houseware sales.

Large wholesaling company Housewares International Ltd supplies various major housewares brands to retailers in Australia, such as Breville, Kambrook, Ronson and Goldair. It also has wholesaling operations in New Zealand, Hong Kong, Canada and the U.S. Their head office and center for product development and design is located in Sydney. The company also designs products for Breville, Alex Liddy, Mayfair & Jackson, Arcosteel and Baccarat. Other major wholesalers are:

- McPherson's Ltd.
- Amethyst Groove
- Challis Lifestyle
- Deluxe Creations
- Epicurious
- Gifted Lifestyle Pty. Ltd.
- Organic Home
- Pure Linen Australia
- TiamaDess Natural Soy Candles
- Wicked Chilli
- Malvern Supply/Merry Wheels
- Burn to Shine Natural Candle Co.
- Dingo Imports
- Gabby Homewares
- Rugs Central
- Wendy Imports and Exports Pty. Ltd.

Many distributors in the housewares sector focus on a specific product type. For example, in the tableware and kitchenware segments of the housewares market, the following suppliers choose to specialize their product lines.

- Albi Imports: carries Amalfi glass and ceramics
- Bella Ceramica: porcelain dinner sets
- Bohemia Crystal: glass and crystal products
- Chambermade Luxury Homewares: luxury kitchen and home accessories, often with retro styling and luxurious embellishments
- Epicurious: kitchen and cooking products, tableware, glassware, wine and bar accessories, kitchen gadgets, electrical
- Jefferson's Tea: tea and coffee accessories such as plungers, filters, glasses and pots
- Journey Japan: Japanese-style ceramics and tableware
- Lorax Design: ceramics
- Lucky Rabbit Imports Australia: brass and silver products such as candlesticks and jugs
- So! Auspicious: Oriental-style tableware.

For optimal product exposure in a market in which consumers shop around for the best price and quality, the layout of displays is important. Eye-catching presentation and stores located on main thoroughfares have an edge. An innovative or aesthetically pleasing design is also important, as consumers are choosy and the market is reasonably saturated by a wide range of products.

Australia is well serviced by a range of financial services offered by local and international banks. Financing practices are comparable to those in the U.S. The terms of payment are negotiable, with import financing effected through open account, commercial bills of exchange (sight and time drafts), letters of credit, and cash in advance. Usually payment terms of 30-60 days are considered the norm amongst the housewares industry, with letter of credit and sight drafts the most common methods.

## Market Issues and Obstacles

Australia and the U.S. recently enacted a Free Trade Agreement (FTA), which has reduced or eliminated tariffs across most industries. Under the FTA, housewares are duty free. The Goods and Service Tax (GST) was introduced in Australia on July 1, 2000, and all housewares goods being shipped to Australia will be subject to this tax. It is a broad-based tax of 10 percent on the sale or provision of most goods and services. While the responsibility to pay GST to the Australian Tax Office lies with the producer/supplier, it is the consumer who ultimately bears the GST cost. The importer pays the GST to the Australian Customs Service.

## Trade Events

Gift and Homewares Australia
Date: February 23-26, 2008
Location: Sydney Showground, Sydney Olympic Park
Website: www.agha.com.au
Gifts, homewares, décor and home accessories
National trade event for the gift and homewares industry

Decoration and Design
Date: July 2008 (precise date to be announced)
Location: Melbourne Exhibition and Convention Center
Website: www.aec.net.au/dad
Gift & homewares / soft furnishing and interior products industries (furniture)
Furniture fair showcasing trends in the Australian and New Zealand markets

Gift and Homewares Australia
Date: August 2- 6, 2008
Location: Melbourne Exhibition and Convention Center, Melbourne &
The Melbourne Showgrounds, Ascot Vale
Website: www.agha.com.au
Gifts, homewares, décor and home accessories
National trade event for the gift and homewares industry

## Resources and Contacts

Australian Gift and Homewares Association
Website: www.agha.com.au
Purpose: The Australian Gift and Homewares Association is the leading industry body that represents the gift and homewares industry in Australia. It is a not-for-profit organization with around 4,000 members who include importers, wholesalers, manufacturers and agents within the Australian gift and homewares industry, as well as owners and managers of retail businesses.

Soft Furnishings Industry Association of Australia
Website: www.sfiaa.org.au
Purpose: The Soft Furnishings Industry Association of Australia is a national association with five State divisions. It represents retail members from the soft furnishings industry, particularly with the government, and also provides education and training and promotions for the industry.

## For More Information

The U.S. Commercial Service in MELBOURNE/AUSTRALIA can be contacted by e-mail at: annette.ahern.@mail.doc.gov; Phone: 61-3-9526-6928; Fax: 61-3-9510-4660 or visit our website: http://www.buyusa.gov/australia.

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